

Service Date: March 19, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	
of PACIFICORP for Authority)	UTILITY DIVISION
to Issue and Sell or Exchange)	DOCKET NO. D97.2.24
Not More Than \$135,000,000 of)	DEFAULT ORDER NO. 5971
its Subordinated Debt.)	

On February 18, 1997, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to §§ 69-3-501 through 69-3-507, MCA, requesting an order authorizing the Company, from time to time, to (i) issue its subordinated debt to a special purpose entity (SPE) in support of preferred securities of the SPE; or (ii) issue and sell or exchange its fixed or floating rate subordinated debt directly to or with investors; or (iii) exercise both of such authorities, provided that the aggregate principal amount of any subordinated debt issued by the Company not exceed \$100,000,000. The Company also requests Commission approval of the contribution or sale of additional subordinated debt of the Company to the SPE in an amount based on the common securities of the SPE and Commission approval of certain guarantee and expense payment agreements proposed to be entered into by the Company with respect to the preferred securities of the SPE. On February 25, 1997, the Company amended its application, seeking authority to issue and sell or exchange its fixed or floating rate subordinated debt in an amount not to exceed \$135,000,000. The Company

requests that such authority remain in effect so long as the Company's senior secured debt has investment grade ratings from at least two nationally recognized rating agencies.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 1701 Prospect Avenue, Helena, Montana, on March 17, 1997, there came before the Commission for final action the matters and things in Docket No. D97.2.24, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. The Company is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.

2. The Company is operating as a public utility as defined in § 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.

4. The Commission has jurisdiction over the subject matter of the application under § 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. It is anticipated that the subordinated debt will be issued in one or more series pursuant to the Company's Indenture dated as of May 1, 1995, as supplemented, or pursuant to a new indenture. The Company may issue the subordinated debt (a) directly to investors as in the issuance and sale of its 8 3/8 percent Junior Subordinated Deferrable Interest Debentures, Series A, pursuant to Docket No. 94.10.45, (b) in exchange for its outstanding securities as in the issuance of its 8.55 percent Junior Subordinated Deferrable Interest Debentures, Series B, pursuant to Docket No. 95.3.8 or (c) to a SPE in support of the preferred securities of the SPE as in the issuance and sale of its 8 1/4 percent Junior Subordinated Deferrable Interest Debentures, Series C, pursuant to Docket No. D96.4.63. The interest rate, maturity, redemption and other terms of the subordinated debt will be determined by the Company's Board of Directors, Finance Committee or Pricing Committee following negotiations with the underwriters or purchasers.

7. In a transaction involving preferred securities of a SPE, the Company would organize the SPE and contribute or sell subordinated debt of the Company to the SPE in an amount based on the common securities of the SPE. The SPE would issue preferred securities with an aggregate preference on

involuntary liquidation of not to exceed \$135,000,000. The SPE preferred securities are expected to have a liquidation preference of \$25 each, have cumulative dividends payable quarterly and be listed on the New York Stock Exchange. In addition, the SPE would purchase subordinated debt of the Company in an aggregate principal amount corresponding to the liquidation preference of the preferred securities issued by the SPE. In certain circumstances, the subordinated debt of the Company underlying the preferred securities of the SPE could be distributed to the holders of the preferred securities in connection with the liquidation of the SPE.

8. It is anticipated that the Company will guarantee the SPE's payment of: (I) any accumulated and unpaid distributions required to be paid on the preferred securities of the SPE to the extent that the SPE has funds on hand available therefor; (ii) the redemption price with respect to any preferred securities called for redemption to the extent that the SPE has funds on hand available therefor; and (iii) upon a voluntary or involuntary dissolution, winding-up or liquidation of the SPE (unless the Company's subordinated debt is distributed to holders of the SPE's preferred securities), the lesser of (a) the aggregate of the liquidation preference and all accrued and unpaid distributions to the date of payment and (b) the amount of assets of the SPE remaining available for distribution to holders of the preferred securities. The guarantee is expected to be directly enforceable by holders of the preferred securities issued by the SPE and subordinate to all senior debt of the Company. It is also anticipated that the Company and the SPE will enter into an expense reimbursement arrangement under which the Company will agree to pay certain expenses of the SPE.

9. Offering costs are not expected to exceed 3.15 percent for the subordinated debt.

10. The results of the financings are expected to be:

ESTIMATED RESULTS OF THE FINANCINGS

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds*	\$135,000,000	\$ 100.00
Less: Underwriting Fees at Approximately 3.15%	<u>4,252,500</u>	<u>3.15</u>
Proceeds Available to Company	130,747,500	96.85
Less: Other Issuance Expenses	<u>648,000</u>	<u>0.48</u>
Net Proceeds to Company	<u>\$130,099,500</u>	<u>\$ 96.37</u>

*Does not include subordinated debt issued by Company based on common securities of a SPE.

11. The Company intends to use the proceeds for purposes set forth in § 69-3-501 MCA. Proceeds may be used for one or more of the following purposes: the acquisition of property; the construction, completion, extension, or improvement of facilities; the improvement of service; the discharge or refunding of obligations; and to reimburse the Company for funds expended from income or from other treasury funds that were not derived from the issuance of securities, provided that the funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by § 69-3-501 MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

12. Issuances of the subordinated debt proposed are part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests and market uncertainties as to the relative merits of the various types of securities the Company could sell.

13. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

1. The proposed issuances of subordinated debt to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.
2. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The amended application of PacifiCorp filed on February 25, 1997, for authority to issue, from time to time, its subordinated debt to a special purpose entity in support of preferred securities of the special purpose entity having an aggregate preference on involuntary liquidation of not to exceed \$135,000,000, pursuant to §§ 69-3-501 through 69-3-507, MCA, and to use the proceeds as described in the application, is hereby approved.
2. The application of PacifiCorp for authority to issue and sell or exchange, from time to time, its fixed or floating rate subordinated debt directly to or with investors in an aggregate principal amount not to exceed \$135,000,000 is hereby approved.
3. PacifiCorp may exercise the separate authorities granted above or both of such authorities provided that the aggregate principal amount of any subordinated debt issued by PacifiCorp not exceed \$135,000,000.
4. PacifiCorp may contribute or sell additional subordinated debt to a special purpose entity in an amount based on the common securities of the special purpose entity and may also enter into guarantee and expense payment agreements, in each case substantially as described in the Company's application.
5. The authorizations granted herein are valid until December 31, 1999.
6. PacifiCorp shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 CFR 34.10.
- b. Verified copies of any agreement entered into in connection with the issuance of subordinated debt pursuant to this Order.
- c. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

7. Issuance of this Order does not constitute acceptance of PacifiCorp's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

8. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

9. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

10. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 17th day of March, 1997, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.